

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SWF-01 AID-05 CEA-01 CIAE-00 COME-00

EB-04 FRB-01 INR-05 NSAE-00 RSC-01 CIEP-01 SP-02

STR-01 TRSE-00 LAB-01 SIL-01 SAM-01 OMB-01 IGA-01

PA-01 PRS-01 USIA-06 IO-10 NEA-06 AGR-05 /069 W

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E.O. 11652: N/A

TAGS: EEC, EAID

SUBJECT: COMMISSION ISSUES PAPER ON AID POLICY

1. SUMMARY. ON OCTOBER 30 THE EC COMMISSION APPROVED A COMMUNICATION TO THE COUNCIL ON DEVELOPMENT AID. IN A PRESS CONFERENCE ON NOVEMBER 5 CHEYSSON, THE RESPONSIBLE COMMISSIONER, LAID STRESS ON THE NEED TO ADAPT ASSISTANCE ACCORDING TO THE LEVEL OF PROSPERITY AND ECONOMIC STRUCTURE OF THE DEVELOPING COUNTRIES. ONE IMPLICATION IS THAT THE COUNTRIES OF THE INDIAN SUBCONTINENT, WHICH FALL AMONG THE POOREST, SHOULD HAVE EQUAL PRIORITY AS RECIPIENTS OF FINANCIAL AID WITH THE POORER ACP COUNTRIES. ON THE OTHER HAND, THE RICHER OIL COUNTRIES ARE, IN CHEYSSON'S VIEW, LOGICAL SOURCES FOR FINANCIAL ASSISTANCE. END SUMMARY.

2. ON JULY 16 THE EC COUNCIL OF MINISTERS, AFTER DISCUSSION OF A COMMISSION MEMORANDUM ON COMMUNITY DEVELOPMENT AID, ASKED THE COMMISSION TO GIVE ITS THOUGHTS ON COMMUNITY COOPERATION WITH THE THIRD WORLD. ON OCTOBER 30 THE COMMISSION RECEIVED AND APPROVED THE RESULTING DOCUMENT, "DEVELOPMENT AID - 'FRESCO' OF COMMUNITY
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ACTION TOMORROW." EC COMMISSIONER CHEYSSON GAVE A PRESS

CONFERENCE ON NOVEMBER 5 IN WHICH HE SUMMARIZED THE COMMUNICATION AND, IN AT LEAST ONE RESPECT, WENT A SMALL STEP BEYOND THE TEXT.

3. THE PAPER STRESSES THE IMPORTANCE OF DISCRIMINATING BETWEEN LDC'S. IT DIVIDES THE POORER COUNTRIES INTO THREE GROUPS, ACCORDING TO GNP PER CAPITA, AND THEN FURTHER DIVIDES THEM ACCORDING TO ECONOMIC STRUCTURE. THE FORM OF ASSISTANCE THAT IS APPROPRIATE IS ACCORDINGLY DIFFERENT. VERY POOR COUNTRIES NEED DIRECT AID--IN MONEY OR FOOD. MORE PROSPEROUS COUNTRIES WHICH ARE IN THE PROCESS OF INDUSTRIALIZATION CAN BENEFIT FROM PREFERENTIAL TREATMENT OF THEIR TRADE. COUNTRIES WITH A HEAVY DEPENDENCE ON EXPORTS OF ONE OR A FEW COMMODITIES CAN BENEFIT FROM STABILIZATION OF THEIR EXPORT EARNINGS. FINALLY, COUNTRIES AT THE PROSPEROUS END OF THE SPECTRUM OF DEVELOPING COUNTRIES NEED INDUSTRIAL AND TECHNICAL COOPERATION.

4. POLITICALLY THE BIGGEST SHIFT IN THE LINE TAKEN BY THE PAPER IS TO ARGUE THAT ALL THE POOREST COUNTRIES SHOULD BE TREATED ALIKE AS OBJECTS OF DIRECT AID. THIS MEANS, EXPLICITLY, THAT COUNTRIES OF THE INDIAN SUBCONTINENT SHOULD BE AS ELIGIBLE AS THE POORER ACP COUNTRIES. IT WOULD SEEM THAT THIS SHIFT IS AT LEAST PARTLY IN RESPONSE TO PRESSURES FROM THE UK. IT SHOULD BE NOTED, HOWEVER, THAT THE COMMISSION INTRODUCES ITS PAPER BY SAYING IT IS NOT "MAKING PRECISE PROPOSALS ON ANY PARTICULAR FORM OF ACTION BUT...PROVIDING IN BROAD LINES A 'FRESCO' OF COMMUNITY POLICY IN THE NEAR FUTURE.

5. THE COMMISSION RECOGNIZES THAT ITS OWN RESOURCES ARE NOT EQUAL TO THE NEEDS OF THE POOREST NATIONS. IT NOTES THAT "IT IS LOGICAL, AND TRUE TO THE ECONOMIC NATURE OF THINGS, THAT THE SOURCES OF THIS FLOW SHOULD BE FOUND WHERE AT PRESENT HUGE EXTRA SUMS OF MONEY ARE POURING IN BECAUSE OF THE INCREASE IN THE PRICES OF RAW MATERIALS OF ALL KINDS." IN HIS PRESS CONFERENCE CHEYSSON WAS LESS COY AND NAMED THE OIL PRODUCERS AS THE NATIONS WHICH COULD AND IN HIS VIEW WOULD PROVIDE, SHORTLY, MASSIVE AMOUNTS OF FINANCIAL AID.

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6. IN HIS PRESS CONFERENCE CHEYSSON STATED THAT HE BELIEVED INTEREST GROUPS WITHIN THE COMMUNITY WOULD BE FAVORABLE TO GREATER EC AID TO LDC'S BECAUSE OF THEIR REALIZATION OF EUROPEAN RELIANCE ON RAW MATERIALS EMANATING FROM LDC'S AND BECAUSE THE OIL PRODUCING COUNTRIES COULD BECOME MASSIVE MARKETS FOR EC INDUSTRIAL GOODS. THE COMMISSION PAPER STEERS CLEAR OF

RECOMMENDING PREFERENTIAL TRADE ARRANGEMENTS AS THE
PRICE OF ACCESS TO RAW MATERIALS. HOWEVER, CHEYSSON,
IN HIS ORAL REMARKS, EMPHASIZED THE NEED
FOR EUROPE TO WIDEN ITS AREA OF ECONOMIC EXCHANGES
THROUGH CONTRACTUAL ARRANGEMENTS WHICH, AS "IN THE CASE
OF AGREEMENTS WITH ACP AND MEDITERRANEAN COUNTRIES,"
SHOULD PROVIDE FOR THE "JUST AND EQUITABLE" TREATMENT
OF EUROPEAN INTERESTS AS REGARDS ACCESS TO RAW
MATERIALS.

7. THE COMMISSION COMMUNICATION IS BEING TRANSMITTED
BY AIRGRAM. GREENWALD

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